



**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Consolidated Financial Statements

April 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

and

Uniform Guidance Reports

April 30, 2021



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Independent Auditors' Report

The Board of Directors
Columbus Community Hospital, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Columbus Community Hospital, Inc. and its affiliates (the Hospital), which comprise the consolidated balance sheets as of April 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbus Community Hospital, Inc. and its affiliates as of April 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating supplementary information included in schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska

July 27, 2021, except as to Note 1(o), which is as of July 28, 2022

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Consolidated Balance Sheets

April 30, 2021 and 2020

Assets	2021	2020
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Current assets:		
Cash and cash equivalents	\$ 20,544,509	26,339,293
Patient accounts receivable	15,010,709	10,293,606
Other receivables	1,032,850	457,780
Inventory and supplies	2,706,045	2,797,519
Prepaid expenses	2,665,067	1,888,374
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Total current assets	41,959,180	41,776,572
Investments	187,458,831	157,879,947
Property and equipment:		
Land and improvements	9,699,821	8,313,043
Buildings	103,625,592	67,785,080
Equipment and furnishings	46,923,009	37,041,034
Medical office property and equipment	1,052,222	1,052,222
Construction in progress	2,409,048	22,129,142
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Total property and equipment	163,709,692	136,320,521
Less accumulated depreciation	71,183,204	64,630,903
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Total property and equipment, net	92,526,488	71,689,618
Investments in unconsolidated entities	1,506,691	1,484,873
Other assets	307,276	278,421
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Total assets	\$ 323,758,466	273,109,431
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**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Consolidated Balance Sheets

April 30, 2021 and 2020

Liabilities and Net Assets	2021	2020
Current liabilities:		
Accounts payable	\$ 2,633,971	1,171,804
Accrued salaries, wages, and payroll taxes	8,451,584	9,097,182
Estimated third-party payor settlements	5,449,609	11,257,134
Total current liabilities	16,535,164	21,526,120
Long-term liabilities:		
Estimated third-party payor settlements	3,537,499	—
Payroll taxes payable/accrued	863,692	264,866
Total liabilities	20,936,355	21,790,986
Net assets:		
Without donor restrictions	299,499,339	247,980,347
With donor restrictions	3,322,772	3,338,098
Total net assets	302,822,111	251,318,445
Total liabilities and net assets	\$ 323,758,466	273,109,431

See accompanying notes to consolidated financial statements.

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended April 30, 2021 and 2020

	2021	2020
Unrestricted revenue, gains, and other support:		
Patient service revenue	\$ 105,053,042	97,894,782
Other revenue	10,496,240	3,422,637
Total revenue, gains, and other support	115,549,282	101,317,419
Expenses:		
Salaries and wages	48,610,194	46,579,576
Employee benefits	12,409,505	12,462,970
Professional medical fees	3,804,405	2,358,359
Purchased services, supplies, and other	31,299,255	27,893,307
Depreciation and amortization	7,241,666	5,547,203
Total expenses	103,365,025	94,841,415
Operating income	12,184,257	6,476,004
Other income (expense):		
Investment income	9,836,945	7,231,021
Change in unrealized gains and losses on investments, net	29,513,029	(6,957,519)
Community donations	(583,352)	(634,360)
Other	84,832	915,080
Total other income	38,851,454	554,222
Excess of revenue over expenses	51,035,711	7,030,226
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for the purchase of property and equipment	474,322	3,683,327
Contributions of property and equipment	60,676	—
Change in donor intent	7,434	(5,948)
Other	6,279	—
Reclassification of net assets due to donor matching	(65,430)	(235,584)
Total other changes in net assets without donor restrictions	483,281	3,441,795
Increase in net assets without donor restrictions	\$ 51,518,992	10,472,021

See accompanying notes to consolidated financial statements.

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Consolidated Statements of Changes in Net Assets

Years ended April 30, 2021 and 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance, April 30, 2019	\$ 237,508,326	5,906,672	243,414,998
Excess of revenue over expenses	7,030,226	—	7,030,226
Change in net unrealized gains and losses on investments, net	—	(13,047)	(13,047)
Restricted investment income	—	8,300	8,300
Change in value of charitable remainder trusts	—	(6,199)	(6,199)
Change in donor intent	(5,948)	5,948	—
Net assets released from restriction	3,683,327	(3,683,327)	—
Other	—	6,135	6,135
Reclassification of net assets due to donor matching	(235,584)	235,584	—
Contributions with donor restrictions	—	878,032	878,032
Increase (decrease) in net assets	<u>10,472,021</u>	<u>(2,568,574)</u>	<u>7,903,447</u>
Balance, April 30, 2020	<u>247,980,347</u>	<u>3,338,098</u>	<u>251,318,445</u>
Excess of revenue over expenses	51,035,711	—	51,035,711
Change in net unrealized gains and losses on investments, net	—	68,100	68,100
Restricted investment income	—	18,725	18,725
Change in value of charitable remainder trusts	—	12,885	12,885
Contributions of property and equipment	60,676	—	60,676
Change in donor intent	7,434	(7,434)	—
Net assets released from restriction	474,322	(474,322)	—
Other	6,279	(6,279)	—
Reclassification of net assets due to donor matching	(65,430)	65,430	—
Contributions with donor restrictions	—	307,569	307,569
Increase (decrease) in net assets	<u>51,518,992</u>	<u>(15,326)</u>	<u>51,503,666</u>
Balance, April 30, 2021	<u>\$ 299,499,339</u>	<u>3,322,772</u>	<u>302,822,111</u>

See accompanying notes to consolidated financial statements.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Consolidated Statements of Cash Flows

Years ended April 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 51,503,666	7,903,447
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,241,666	5,547,203
Donated depreciation	775,699	784,740
Contributions with donor restrictions	(307,569)	(878,032)
Change in value of charitable remainder trusts	(12,885)	6,199
Realized and change in unrealized gains on investments, net	(35,839,781)	4,341,749
Equity in earnings of unconsolidated entities	(130,058)	(48,834)
Distributions received from unconsolidated entities	108,240	—
Changes in assets and liabilities:		
Patient accounts receivable	(4,717,103)	2,484,715
Other receivables	(575,070)	84,495
Inventories	91,474	(55,429)
Prepaid expenses	(776,693)	465,196
Other assets	(15,970)	156,590
Accounts payable	1,462,167	(604,283)
Accrued salaries, wages, and payroll taxes	(46,772)	3,559,417
Estimated third-party payor settlements	(2,270,026)	10,052,988
Net cash provided by operating activities	16,490,985	33,800,161
Cash flows from investing activities:		
Purchases of investments	(26,727,450)	(34,524,219)
Sales and maturities of investments	32,988,347	37,930,517
Cash contribution to unconsolidated entities	—	—
Additions to property and equipment	(28,854,235)	(25,410,617)
Net cash used in investing activities	(22,593,338)	(22,004,319)
Cash flows from financing activity:		
Contributions with donor restrictions	307,569	878,032
Net cash provided by financing activity	307,569	878,032
Net increase (decrease) in cash and cash equivalents	(5,794,784)	12,673,874
Cash and cash equivalents, beginning of year	26,339,293	13,665,419
Cash and cash equivalents, end of year	\$ 20,544,509	26,339,293

See accompanying notes to consolidated financial statements.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

(1) Organization

Columbus Community Hospital, Inc. (the Hospital) operates a 47-bed acute care not-for-profit hospital located in Columbus, Nebraska.

The Hospital also sponsors and is the sole corporate member of the Columbus Community Hospital Foundation (the Foundation). The Foundation was incorporated for the sole benefit of the Hospital to promote and support the Hospital's charitable purpose. In addition, the Hospital incorporated Healthpark Title Company, which has investments in a medical office building that is adjacent to the Hospital's facility and a second medical office building on the Hospital's east campus (note 8). The accompanying consolidated financial statements include the Hospital, the Foundation, and Healthpark Title Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Hospital and its affiliates described above. These policies are in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid financial instruments with original maturities of three months or less, excluding those amounts included as part of the investment portfolio.

(c) Inventory and Supplies

Inventory and supplies are stated at the lower of cost or net realizable value. Cost is determined principally using the weighted average cost method.

(d) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the input needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services and outpatient services. The Hospital measures the performance obligation from admission into the healthcare provider to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Hospital does not believe it is required to provide additional goods or services. Performance obligations satisfied at a point in time include cafeteria sales and gift shop sales. Because performance obligations relate to contracts with a duration of less than one year, the Hospital elected to apply the optional exemption provided in Financial Accounting Standard Board (FASB) Accounting Standard Codification (ASC) Paragraph 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligation referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occur within days or weeks of the end of the reporting period.

The Hospital determines the transaction price, which involves significant estimates and judgement, based on standard charges for goods and services provided and reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. The Hospital determines the transaction prices associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients who do not qualify for charity care, the Hospital determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the Hospital's criteria for free care "charity" are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future period as new information becomes available or as years are settled or are no longer subject to such audits, reviews, and investigations.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

The Hospital uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on the historical collection trends and other analyzes, the Hospital believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Estimated costs related to charges foregone calculated on a cost-to-charge method were approximately \$843,227 and \$619,824 in 2021 and 2020, respectively.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on equity securities are included in excess of revenue over expenses while unrealized gains and losses on debt securities are included in other changes in net assets without donor restrictions.

Investments include designated assets set aside by the board of directors for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes.

(f) Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method based on the following useful lives:

Land improvements	10–15 Years
Buildings	5–40 Years
Equipment and furnishings	3–40 Years
Medical office property and equipment	3–20 Years

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value.

(h) Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets whose use by the Hospital has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Hospital in perpetuity.

(i) Excess of Revenue over Expenses

The consolidated statements of operations include excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include changes in unrealized gains and losses on debt securities and contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, were to be used for the purposes of acquiring such assets).

(j) Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

(k) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible when determining fair value. The Hospital determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

(l) Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. A promise to give is conditional on the basis of whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets must be determinable. A conditional promise to give becomes unconditional promise to give when the barriers in the agreement are overcome and is then reported at fair value. The gifts are reported with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

The Hospital has entered into legally binding agreements with certain donors, which require matching of donor contributions and, thus, restrict net assets without donor restrictions for specific purposes (donor-matching funds). During 2021 and 2020, \$65,430 and \$235,584 of net assets, respectively, were reclassified as with donor restriction in the accompanying consolidated financial statements.

During 2021 and 2020, certain donors changed their designation on previous gifts, resulting in a reclassification of net assets of \$7,434 and \$(5,948), respectively.

(m) New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheets and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 requires the Hospital to adopt the standard using a modified retrospective approach with adoption beginning on May 1, 2021. The Hospital is currently evaluating the impact on the consolidated financial statements and related disclosures and has not yet determined the impact of the new standard.

In August 2018, the FASB issues ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820. The ASU removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, including the policy for timing of transfers between levels; the description of valuation processes for Level 3 fair value measurements; and, for nonpublic entities, the changes in unrealized gains and losses from remeasurement for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issuances of Level 3 assets and liabilities.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

The Hospital adopted ASU No. 2018-13 as of May 1, 2020. The amendments were applied retrospectively to all periods presented. The adoption of ASU No. 2018-13 resulted in fewer disclosures about fair value measurements in note 7, but did not otherwise have a material effect on the Hospital's consolidated financial statements.

(n) Income Taxes

The Hospital and the Foundation have been recognized as not-for-profit organizations by the Internal Revenue Service (IRS), as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Healthpark Title Company has been recognized as a not-for-profit organization by the IRS, as described in Section 501(c)(2) of the Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Hospital recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. During 2021 and 2020, management determined that there are no income tax positions requiring recognition in the consolidated financial statements. The Hospital is no longer subject to audit for years prior to 2017.

(o) Reclassifications

During 2021, the Hospital completed several building renovations. Certain costs associated with the projects were not reclassified from Construction in progress to the appropriate Property and equipment classifications. The Hospital has decided to correct the error, reclassifying \$3,937,661 of Construction in progress to the appropriate Property and equipment accounts in the Consolidated Balance Sheet.

In addition, on April 30, 2021, the Hospital completed its acquisition of a separate building which was originally classified as Investment in unconsolidated entities. The Hospital has corrected the Consolidated Balance Sheet classification of \$4,350,017 as Buildings in addition to the Additions to property and equipment and Cash contribution to unconsolidated entities captions in the Consolidated Statement of Cash Flows.

(3) Patient Service Revenue and Patient Accounts Receivable

A summary of the payment arrangements with major third-party payors is as follows:

(a) Medicare

The Centers for Medicare & Medicaid Services (CMS) began conducting the Rural Community Hospital Demonstration Program (RCH Demo) in 2004, which was initiated as a five-year program under its original mandate – Section 410A of the Medicare Modernization Act (MMA) of 2003. The program was extended an additional five years under Sections 3123 and 10313 of the Affordable Care Act (ACA) in 2010. Congress included these provisions in the law in response to financial concerns for small rural hospitals.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

Under the RCH Demo, participating hospitals are reimbursed their allowable costs for inpatient services provided to Medicare beneficiaries. Participating hospitals are reimbursed on a biweekly basis using interim rates throughout the year. A final settlement determination is made upon submission of an annual cost report by the hospitals and audits thereof by the Medicare Audit Contractors (MACs).

On December 13, 2016, Section 15003 of the 21st Century Cures Act (PL 114-255) authorized an additional five-year period of performance for participating RCH Demo hospitals. Section 15003 provided additional hospital participation subject to a maximum of 30 total hospitals. Congress intended for a seamless extension of the RCH Demo for participating hospitals who would be eligible for retroactive payment adjustments. The Hospital's retroactive payments would extend back to May 1, 2015 with the program extending through April 30, 2020.

The Hospital's participation in the RCH Demo was extended through April 30, 2025 totaling 20 years in the program. At that time, the Hospital would revert back to the Inpatient Prospective Payment System (IPPS) reimbursement model, which is based on prospectively set rates, using service groups categorized into diagnosis-related groups.

Effective March 11, 2010, the Hospital was approved for Sole Community Hospital (SCH) status. Sole community hospitals are acute-care facilities eligible for protected status under Medicare regulations and, therefore, can receive additional payments from Medicare under both IPPS and Outpatient Prospective Payment System. The Hospital's reimbursement for inpatient Medicare services would still default to the RCH Demo; however, the financial impact between the RCH Demo and IPPS is reduced due to the SCH payments.

The estimated payments in prior years ended April 30, 2020 and 2019 resulted in an increase in reimbursement from the Medicare program of approximately \$1,933,000 and \$2,245,000, respectively, as compared to what would have been paid under IPPS with the SCH designation.

(b) Nebraska Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Certain outpatient services are also reimbursed at prospectively determined rates per visit.

Revenue from the Medicare program accounted for approximately 40% and 41%, respectively, of the Hospital's patient service revenue for the years ended April 30, 2021 and 2020. Revenue from the Medicaid program accounted for approximately 8% of the Hospital's patient service revenue for the years ended April 30, 2021 and 2020. Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital also has entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements primarily includes discounts from established charges.

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COLUMBUS, NEBRASKA**

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The following table sets forth the Hospital's patient service revenue at its established rates for the years ended April 30, 2021 and 2020:

	2021	2020
Patient service revenue:		
Hospital:		
Hospital billing:		
Inpatient services	\$ 24,746,911	24,512,417
Outpatient services	74,209,321	65,444,762
Clinic outpatient services	6,096,810	7,937,603
Total patient service revenue	\$ 105,053,042	97,894,782

Patient service revenue recognized in 2021 and 2020 from major payor sources is as follows:

	2021		2020	
Medicaid	\$ 3,989,154	3.8 %	\$ 1,467,239	1.5 %
Commercial insurance	72,672,714	69.2	69,133,965	70.6
Other government payors	24,418,288	23.2	20,968,086	21.4
Patient (self-pay)	3,972,886	3.8	6,325,492	6.5
Patient service revenue	\$ 105,053,042	100.0 %	\$ 97,894,782	100.0 %

The Hospital grants credits without collateral to its patients, most of whom are local residents of the surrounding Nebraska area and are insured under third-party payor agreements. The mix of patient receivables from patients and third-party payors at April 30, 2021 and 2020 is as follows:

	2021	2020
Medicaid	7 %	4 %
Commercial insurance and other third-party payors	56	39
Patients	37	57
	100 %	100 %

(4) Retirement Plan

The Hospital participates in a contributory retirement plan covering substantially all eligible employees. The retirement plan is a defined-contribution money purchase plan, and the minimum benefit provision of the retirement plan is fully funded. Funding is based on a salary contribution factor (between 4% - 7% in 2021 and 2020) for all eligible employees, which is approved by the board of directors. Total retirement expense for the years ended April 30, 2021 and 2020 was \$1,968,281 and \$1,676,502, respectively.

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Notes to Consolidated Financial Statements

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(5) Financial Assets and Liquidity Resources

As of April 30, 2021 and 2020, the Hospital has a working capital balance of \$25,424,016 and \$20,250,452 and average day's cash on hand of 78 and 59 days, respectively, based on 2021 and 2020 expenditures.

The following reflects the Hospital's financial assets as of April 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 20,544,509	26,339,293
Patient accounts receivable	15,010,709	10,293,606
Investments	187,458,831	157,879,947
Total financial assets	223,014,049	194,512,846
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	(3,322,772)	(3,338,098)
Board designations	(184,136,059)	(154,541,849)
Financial assets available to meet cash needs for general expenditures within one year	\$ 35,555,218	36,632,899

The Hospital has certain board-designated and donor-restricted assets limited to use, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Hospital has other assets limited to use for donor-restricted purposes and funds designated for capital purposes, which are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

(6) Insurance Coverage

The Hospital has a claims-made policy for its professional liability insurance coverage, which expires April 30, 2022. The policy provides coverage of \$1,000,000 per claim with a \$3,000,000 annual aggregate limit with no deductible requirement. Additionally, the Hospital has a \$9,000,000 umbrella policy with no deductible requirement. In the event that the current policy is not replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

The Hospital also carries a workers' compensation policy that expires June 1, 2022 and provides coverage of \$500,000 per claim with no deductible requirement.

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The Hospital has provided for claims, including estimates of the ultimate costs of both reported claims and claims incurred, but not reported at year-end. Management is presently not aware of any incidents that would result in probable losses that would have a material adverse impact on the accompanying consolidated financial statements.

(7) Investments

Fair Value Hierarchy

The following tables present the financial instruments that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at April 30, 2021 and 2020:

	2021			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents	\$ 20,544,509	20,544,509	—	—
Charitable remainder trusts	87,136	—	87,136	—
Investments:				
Cash equivalents	\$ 524,770	524,770	—	—
Certificates of deposit	24,604,398	—	24,604,398	—
Mutual funds:				
Indexed	59,271,380	59,271,380	—	—
Mid cap	12,257,191	12,257,191	—	—
Small cap	6,088,884	6,088,884	—	—
International	26,884,888	26,884,888	—	—
Real estate	4,877,361	4,877,361	—	—
Bond	52,949,959	52,949,959	—	—
Total investments	\$ <u>187,458,831</u>	<u>162,854,433</u>	<u>24,604,398</u>	<u>—</u>

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
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April 30, 2021 and 2020

		2020			
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:					
Cash and cash equivalents	\$	26,339,293	26,339,293	—	—
Charitable remainder trusts		74,251	—	74,251	—
Investments:					
Cash equivalents	\$	172,269	172,269	—	—
Certificates of deposit		34,057,214	—	34,057,214	—
Mutual funds:					
Indexed		46,722,902	46,722,902	—	—
Mid cap		9,174,050	9,174,050	—	—
Small cap		4,637,260	4,637,260	—	—
International		19,705,392	19,705,392	—	—
Real estate		2,192,729	2,192,729	—	—
Bond		41,218,131	41,218,131	—	—
Total investments	\$	<u>157,879,947</u>	<u>123,822,733</u>	<u>34,057,214</u>	<u>—</u>

There were no transfers into or out of Level 1 or Level 2 for the year ended April 30, 2021 or 2020.

Unrestricted investment income for assets limited as to use and cash and cash equivalents comprise the following for the years ended April 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Income:		
Interest and dividends	\$ 3,510,193	4,271,204
Realized gains	6,326,752	2,959,817
Changes in unrealized gains and losses on investments, net	<u>29,513,029</u>	<u>(6,957,519)</u>
Investment income	<u>\$ 39,349,974</u>	<u>273,502</u>

Total unrealized losses at April 30, 2021 and 2020 were nominal.

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April 30, 2021 and 2020

(8) Investment in Unconsolidated Entities

The Hospital has entered into an agreement with certain investors to operate a medical office building adjacent to the existing hospital campus. The Hospital's ownership interest in Healthpark, LLC of approximately 22.92% at April 30, 2021 and 22.76% at April 30, 2020 is reflected as an investment in unconsolidated entities in the accompanying consolidated balance sheets. Profits and losses are allocated among the members in accordance with their ownership interests. The Hospital has entered into a second agreement with certain investors to operate a medical office building on the Hospital's east campus. The Hospital's ownership interest in ZARZ, LLC of approximately 1.00% at April 30, 2021 and 2020 is reflected as an investment in unconsolidated entities in the accompanying consolidated balance sheets. Profits and losses are allocated among the members in accordance with their ownership interests. The Hospital owns these investments through its wholly owned subsidiary, Healthpark Title Company. The Hospital accounts for its investment in Healthpark, LLC under the equity method and ZARZ, LLC under the cost method.

Condensed financial statements of Healthpark, LLC as of December 31, 2020 and 2019 are as follows:

	2020	2019
	(Unaudited)	
Assets	\$ 8,530,514	8,876,387
Liabilities	\$ 2,052,171	2,483,608
Equity	6,478,343	6,392,779
Liabilities and equity	\$ 8,530,514	8,876,387
Revenue	\$ 1,344,888	1,293,239
Expenses	658,932	778,251
Net income	\$ 685,956	514,988

(9) Net Assets with Donor Restrictions

Donor-restricted net assets are available for the following purposes at April 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose or passage of time:		
Scholarships	\$ 176,135	96,563
Charitable remainder trust (primarily time restriction)	87,136	74,251
Capital equipment	478,928	704,697
Not subject to appropriation or expenditure, expendable to support Hospital income activities	2,580,573	2,462,587
	\$ 3,322,772	3,338,098

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(10) Commitments

Leases

Certain equipment and building space is being leased under long-term noncancelable operating leases. The total rent expense under operating leases for 2021 and 2020 was \$968,480 and \$946,255, respectively. Future minimum lease payments for noncancelable lease terms in excess of one year as of April 30, 2021 were as follows:

2022		\$	968,480
2023			997,534
2024			997,534
2025			997,534
2026			997,534
			997,534
		\$	4,958,616

(11) Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements; reimbursements for patient services; and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made that are expected to have a material effect on the Hospital's consolidated financial statements, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

On March 11, 2020, the World Health Organization designated Coronavirus 2019 (COVID-19) as a global pandemic. Patient activity and related revenues for most services were significantly impacted starting in mid-March as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures. The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Precautionary steps to enhance operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to the business, included the following:

- Assessed the various federal and state stimulus options available to the Hospital as noted below

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In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law providing temporary and limited relief to hospitals and healthcare providers during the COVID-19 outbreak, appropriations were made for hospitals and healthcare providers to cover expenses and lost revenue associated with the treatment of COVID-19 patients, expanding the Medicare Advanced, and Accelerated payment program, providing employee retention tax credits to employers affected by COVID-19, eliminating the 2% reduction in Medicare payments from sequestration through 2020, created an add-on payment for inpatient hospitals treating COVID-19 patients, and delaying a reduction in Medicaid funding for Medicare disproportionate share hospitals.

As of April 30, 2021 and 2020, the Hospital received \$4.8 million and \$2.0 million, respectively, in Provider Relief Fund General Distributions, \$4.8 million and \$0, respectively, in Provider Relief Fund Targeted Distributions under the CARES Act. These funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met and the funds are received. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results through the end of fiscal year 2021 and 2020, the Hospital has recorded \$9.6 million and \$2.0 million, respectively, of coronavirus relief funds as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions.

In addition, as of April 30, 2020, the Hospital received approximately \$10 million of payments under the Medicare Advanced Payment Program (APP), which allows eligible healthcare facilities to request up to 6 months of advance Medicare payments for acute care hospitals or up to 3 months of advance Medicare payments for other healthcare providers. No payments were received during 2021. Repayment begins one year from the date the APP was issued, with repayment beginning in April 2021. Once repayment begins, Medicare payments will be recouped at a rate of 25% for 11 months. After the 11-month period, Medicare payment will be recouped at a rate of 50% for six additional months. As of April 30, 2021 and 2020, the Hospital recorded APP payments of \$5.4 and \$10 million, respectively, in current estimated third-party payor settlements and \$3.5 and \$0 million in long-term estimated third-party payor settlements on the consolidated balance sheets.

The Hospital has also deferred employment tax deposits and payments of \$863,692 and \$264,866 as of April 30, 2021 and 2020, respectively, under the IRS deferral of employment tax deposits and payments. The program allows the Hospital to defer deposits of the employer's share of social security tax due and payments of the tax imposed on wages paid during the period from March 27, 2020 to December 31, 2020. As of April 30, 2021 and 2020, the tax deposits and payments deferred are included in payroll taxes payable/accrued on the consolidated balance sheets. The COVID-19 pandemic has affected commerce and financial markets globally. Although COVID-19 initially produced market conditions that adversely affected the fair value of the Hospital's investments, the fair value substantially recovered by April 30, 2021.

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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

The extent of the COVID-19 pandemic's adverse impact on operating results and financial condition of the Hospital has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines on patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, changes in professional and general liability exposure, and volatility of global financial markets. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the impact of the COVID-19 pandemic on the business and the results of operations.

(12) Guarantees

Consistent with its policy on physician relocation and recruitment, the Hospital provides income guarantee agreements to certain physicians who agree to relocate to its community to fill a need in the Hospital's service area and commit to remain in practice there. Under such agreements, the Hospital is required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee. The income guarantee periods are typically 12 months. Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically 3 years. The Hospital also provides minimum revenue guarantees to physician groups providing certain services at its hospitals with terms ranging from 1 to 3 years. As of April 30, 2021 and 2020, the Hospital had outstanding advances of approximately \$98,292 and \$32,810, respectively, under the agreements. The Hospital is currently not committed to any future guarantees.

(13) Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Hospital. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of specific identification. Other expenses, due to their nature, are allocated in a similar fashion.

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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

Expenses by functional classification for the years ended April 30, 2021 and 2020 consist of the following:

2021					
		Healthcare services	Fundraising	General and administrative	Total
Operating expenses:					
Salaries and wages	\$	40,316,839	156,050	8,137,305	48,610,194
Employee benefits		10,287,480	—	2,122,025	12,409,505
Professional medical fees		3,774,405	—	30,000	3,804,405
Purchased services, supplies, and other		24,021,238	26,871	7,251,146	31,299,255
Depreciation and amortization		—	—	7,241,666	7,241,666
Total	\$	78,399,962	182,921	24,782,142	103,365,025
2020					
		Healthcare services	Fundraising	General and administrative	Total
Operating expenses:					
Salaries and wages	\$	38,564,109	—	8,015,467	46,579,576
Employee benefits		10,318,328	—	2,144,642	12,462,970
Professional medical fees		2,328,422	—	29,937	2,358,359
Purchased services, supplies, and other		19,674,321	85,468	8,133,518	27,893,307
Depreciation and amortization		—	—	5,547,203	5,547,203
Total	\$	70,885,180	85,468	23,870,767	94,841,415

(14) Endowments

The Foundation's endowment consists of 25 individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

The Foundation has interpreted the State Uniform Prudent Management of Institutional Funds Act (SUPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. In accordance with SUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

The following tables set forth the endowment by type of fund as of April 30, 2021 and 2020:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
2021:			
Donor-restricted endowment funds	\$ 174,560	2,637,397	2,811,957
2020:			
Donor-restricted endowment funds	\$ 181,993	2,493,343	2,675,336

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Notes to Consolidated Financial Statements

April 30, 2021 and 2020

	Changes in endowment net assets		
	Without donor restriction	With donor restriction	Total
Endowment net assets, April 30, 2019	\$ 176,045	1,938,420	2,114,465
Investment return:			
Investment gain	—	16,723	16,723
Contributions	—	544,148	544,148
Change in donor intent	5,948	(5,948)	—
Endowment net assets, April 30, 2020	181,993	2,493,343	2,675,336
Investment return:			
Investment gain	—	12,434	12,434
Contributions	—	124,187	124,187
Change in donor intent	(7,434)	7,434	—
Endowment net assets, April 30, 2021	\$ <u>174,559</u>	<u>2,637,398</u>	<u>2,811,957</u>

(a) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is a conservative level of investment risk. Actual returns in any given year may vary.

(b) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(c) Appropriation Policy and How The Investment Objectives Relate to Appropriation Policy

The spending policy for endowed funds is determined by the board of directors. In establishing this policy, the Foundation considers the long-term expected return on its endowment. Accordingly, over the long term, the Foundation is generally focusing on finding securities that demonstrate the ability for price appreciation and earnings momentum equal to major stock index performance. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Notes to Consolidated Financial Statements

April 30, 2021 and 2020

(15) Community Donation

During 2016, the Hospital completed construction of a wellness center, of which 76% is being utilized by the local YMCA. The Hospital rents this portion of the wellness center to the YMCA at below-market rates. The expenses associated with the YMCA's portion of the wellness center are partially offset by the rent paid to the Hospital. The difference is reflected as a community donation in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(16) Subsequent Events

The Hospital has evaluated subsequent events from the consolidated balance sheet date through July 27, 2021, the date at which the consolidated financial statements were available to be issued, and determined there are no other material items to disclose, except for the following matters:

On June 11, 2021, the Hospital received \$100,000 of Department of Health and Human Services (HHS) Stimulus funds, which have not been reflected in the accompanying consolidated financial statements.

In June 2021, HHS issued a revised notice of reporting requirements and reporting timeline that provided information on how the Hospital should report it used the funds received under the CARES Act and extended key deadlines for expending Provider Relief Fund payments. The requirements modified the period in which unreimbursed healthcare-related expenses and lost patient care revenues should be reported, among other items. The Hospital believes that such new guidance is a nonrecognized subsequent event as of April 30, 2021 and any changes will be accounted for during the year ending April 30, 2022. The Hospital continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on its business, results of operations, financial condition, and cash flows.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Consolidating Balance Sheet Information

April 30, 2021

Assets	Hospital consolidated	Foundation	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 20,378,305	166,204	—	20,544,509
Patient accounts receivable	15,010,709	—	—	15,010,709
Other receivables	1,032,850	—	—	1,032,850
Inventory and supplies	2,706,045	—	—	2,706,045
Prepaid expenses	2,665,067	—	—	2,665,067
Total current assets	<u>41,792,976</u>	<u>166,204</u>	<u>—</u>	<u>41,959,180</u>
Assets limited as to use:				
Investments	66,932,048	120,526,783	—	187,458,831
Total assets limited as to use	<u>66,932,048</u>	<u>120,526,783</u>	<u>—</u>	<u>187,458,831</u>
Beneficial interest in net assets of the Foundation	120,779,258	—	(120,779,258)	—
Property and equipment:				
Land and improvements	9,699,821	—	—	9,699,821
Buildings	103,625,592	—	—	103,625,592
Equipment and furnishings	46,923,009	—	—	46,923,009
Medical office property and equipment	1,052,222	—	—	1,052,222
Construction in progress	2,409,048	—	—	2,409,048
Total property and equipment	<u>163,709,692</u>	<u>—</u>	<u>—</u>	<u>163,709,692</u>
Less accumulated depreciation	<u>71,183,204</u>	<u>—</u>	<u>—</u>	<u>71,183,204</u>
Total property and equipment, net	92,526,488	—	—	92,526,488
Investments in unconsolidated entities	1,506,691	—	—	1,506,691
Other assets	220,140	87,136	—	307,276
Total assets	<u>\$ 323,757,601</u>	<u>120,780,123</u>	<u>(120,779,258)</u>	<u>323,758,466</u>

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
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Consolidating Balance Sheet Information

April 30, 2021

Liabilities and Net Assets	Hospital consolidated	Foundation	Eliminations	Consolidated
Current liabilities:				
Accounts payable	\$ 2,633,106	865	—	2,633,971
Accrued salaries, wages, and payroll taxes	8,451,584	—	—	8,451,584
Estimated third-party payor settlements	5,449,609	—	—	5,449,609
Total current liabilities	16,534,299	865	—	16,535,164
Long-term liabilities:				
Estimated third-party payor settlements	3,537,499	—	—	3,537,499
Payroll taxes payable/accrued	863,692	—	—	863,692
Total liabilities	20,935,490	865	—	20,936,355
Net assets:				
Without donor restrictions	299,499,339	117,456,486	(117,456,486)	299,499,339
With donor restrictions	3,322,772	3,322,772	(3,322,772)	3,322,772
Total net assets	302,822,111	120,779,258	(120,779,258)	302,822,111
Total liabilities and net assets	\$ 323,757,601	120,780,123	(120,779,258)	323,758,466

See accompanying independent auditors' report.

COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended April 30, 2021

	Hospital consolidated	Foundation	Eliminations	Consolidated
Unrestricted revenue, gains, and other support:				
Patient service revenue	\$ 105,053,042	—	—	105,053,042
Other revenue	10,471,670	244,060	(219,490)	10,496,240
Total revenue, gains, and other support	<u>115,524,712</u>	<u>244,060</u>	<u>(219,490)</u>	<u>115,549,282</u>
Expenses:				
Salaries and wages	48,610,194	156,050	(156,050)	48,610,194
Employee benefits	12,409,505	—	—	12,409,505
Professional medical fees	3,774,485	29,920	—	3,804,405
Purchased services, supplies, and other	31,272,384	90,311	(63,440)	31,299,255
Depreciation and amortization	7,241,666	—	—	7,241,666
Total expenses	<u>103,308,234</u>	<u>276,281</u>	<u>(219,490)</u>	<u>103,365,025</u>
Operating income (loss)	<u>12,216,478</u>	<u>(32,221)</u>	<u>—</u>	<u>12,184,257</u>
Other income (expenses):				
Investment income	2,518,957	7,317,988	—	9,836,945
Change in unrealized gains and losses on investments, net	3,386,480	26,126,549	—	29,513,029
Community donations	(583,352)	—	—	(583,352)
Change in beneficial interest in net assets of Foundation	33,412,316	—	(33,412,316)	—
Other	84,832	—	—	84,832
Total other income, net	<u>38,819,233</u>	<u>33,444,537</u>	<u>(33,412,316)</u>	<u>38,851,454</u>
Excess of revenue over expenses	<u>51,035,711</u>	<u>33,412,316</u>	<u>(33,412,316)</u>	<u>51,035,711</u>
Other changes in net assets without donor restrictions:				
Change in beneficial interest in net assets of Foundation	(67,858)	—	67,858	—
Transfer between entities	553,731	(553,731)	—	—
Net assets released from restrictions for the purchase of property and equipment	—	474,322	—	474,322
Contributions of property and equipment	60,676	—	—	60,676
Change in donor intent	—	7,434	—	7,434
Other	6,279	—	—	6,279
Reclassification of net assets due to donor matching	(69,547)	4,117	—	(65,430)
Total other changes in net assets without donor restrictions	<u>483,281</u>	<u>(67,858)</u>	<u>67,858</u>	<u>483,281</u>
Increase in net assets without donor restrictions	<u>\$ 51,518,992</u>	<u>33,344,458</u>	<u>(33,344,458)</u>	<u>51,518,992</u>

See accompanying independent auditors' report.

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Schedule of Expenditures of Federal Awards

Year ended April 30, 2021

<u>Federal award program</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of the Treasury:		
Pass-through the State of Nebraska		
COVID-19 Coronavirus Relief Fund	21.019	\$ 733,824
U.S. Department of Health and Human Services:		
Pass-through Nebraska Hospital Association		
COVID-19 ASPR Science Preparedness and Response Grants	93.081	34,900
Pass-through the State of Nebraska		
COVID-19 Small Rural Hospital Improvement Grant Program	93.301	83,019
COVID-19 Testing for the Uninsured	93.461	<u>365,038</u>
Total Expenditures of Federal Awards		<u>\$ 1,216,781</u>

See accompanying independent auditors' report and the notes to schedule of expenditures of federal awards.

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended April 30, 2021

(1) Reporting Entity

The accompanying schedule of expenditures of federal awards (the Schedule) includes all awards administered by Columbus Community Hospital, Inc. and affiliates (the Hospital) for the year ended April 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Guidance Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule has been prepared on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position or changes in net assets of the Hospital.

(2) Indirect Costs

The Hospital has not elected to use a 10% de minimus cost rate provided by the Uniform Guidance. Indirect costs were not charged to the Federal award programs for the year ended April 30, 2021.

(3) Subrecipients

The Hospital did not make payments to subrecipients for the year ended April 30, 2021.

(4) Donated Personal Protective Equipment (Unaudited)

The Hospital did not receive donated personal protective equipment from federal assistance during the year ended April 30, 2021.



KPMG LLP
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
Columbus Community Hospital, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Columbus Community Hospital, Inc. and its affiliates (the Hospital), which comprise the consolidated balance sheet as of April 30, 2021, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 27, 2021, except as to note 1(o), which is as of July 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Omaha, Nebraska

July 27, 2021, except as to Note 1(o), which is as of July 28, 2022



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Columbus Community Hospital, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Columbus Community Hospital, Inc. and its affiliates' (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended April 30, 2021. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2021.

Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance



for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Hospital as of and for the year ended April 30, 2021, and have issued our report thereon dated July 27, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Omaha, Nebraska
July 28, 2022

**COLUMBUS COMMUNITY HOSPITAL, INC. AND AFFILIATES
COLUMBUS, NEBRASKA**

Schedule of Findings and Questioned Costs

Year ended April 30, 2021

(1) Summary of Auditor's Results

- a. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- c. Noncompliance material to the consolidated financial statements: **No**
- d. Internal control deficiencies over major program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major program: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Identification of major program:
COVID-19 Coronavirus Relief Fund: CFDA #21.019
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i. Auditee qualified as a low-risk auditee: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None